

**Be careful:**

# **‘Net-based business opportunities**

Some companies selling Internet-related business opportunities are trying to cash in on the Web's potential using questionable business practices. Don't let them fool you. Although the Internet has vast commercial possibilities, every entrepreneur who buys into an online "opportunity" doesn't automatically find a pot of gold at the end of the rainbow.

*"Earn big bucks selling Internet-related products or services!"*

You'll see a variety of Internet-related business opportunities promoted in many places including infomercials, classified ads, in major newspapers and magazines, telemarketing, trade show presentations, seminars and direct mail solicitations. Some companies target individuals who are not technologically savvy. In fact, many pitches appear to take advantage of an entrepreneur's "Internet innocence."

## **In Wisconsin**

Out-of-state Internet business opportunity companies have been holding seminars at hotels throughout Wisconsin. The Bureau

of Consumer Protection has received complaints from consumers who say that promises made by some of these companies were not kept. What's more, consumers who signed up for credit card processing equipment at these seminars allege they had difficulty canceling the lease, after they were told in the sales presentation that they could. The company leasing the credit card equipment says the contract states that leases are not cancelable. So some consumers have been stuck paying \$65 a month or more for years.

Consumer Protection advises would-be business people to consider shopping locally for help in establishing Internet related businesses or web sites instead of dealing with out-of-state companies operating out of hotels. That way if something goes wrong, they can resolve the matter in their own community.

Consumer Protection also advises consumers not to sign contracts for credit card processing equipment until you are reasonably sure you will be utilizing the equipment for the length of the contract.

## **Scam Pitches**

Scam artists use many different methods to pitch a variety of business opportunities. Here are a few examples:

**"Company A" says consumers can earn big money by providing access to the Internet.**

**The pitch:** Sell machines or kiosks that provide walk-up Internet access, for a fee, in public places like airports, upscale hotels and shopping malls. Consumers spend thousands of dollars for the machines, which the company promises will generate "amazing" earnings. What's more, the company promises plenty of profitable locations to place the machines.

**The problem:** Rather than at the high-traffic locations the scam artists promise, the machines are placed in bars and pizza joints. Consumers can't possibly make the earnings they were guaranteed.

*"No computer experience or sales experience necessary!"*

(over)

**“Company C” advertises that consumers can earn more than \$150,000 as “Internet consultants.”**

**The pitch:** Sponsor free seminars to teach consumers how to “make money on the Internet.”

**The problem:** The seminar really is a high-pressure sales pitch for Company C’s Internet yellow pages or Internet malls advertising business opportunities. The company promises to deliver Internet and sales training for a fee of several thousand dollars. Consumers hoping to launch a lucrative enterprise never get the promised training and never earn the promised amounts.

## Check it out

Investigate Internet-related business opportunities as carefully as you would check out any other business opportunity. Before you invest or buy into any business opportunity:

- Realize that seminar “trainers” or “consultants” often are there to sell you a business opportunity, not teach you Internet basics. In fact, they may be counting on your lack of experience with computers or the Internet.
- Investigate all earnings claims. Talk to others who have purchased the opportunity to see whether their experience supports the company’s claims. Visit previous franchise and

business opportunity owners in person to reduce the risk of being misled by “shills”—people paid to give favorable reports. Never rely solely on the promoter’s list of references because it may contain shills.

- Demand to see the company’s claims in writing. In fact, get all promises in writing.
- Ask for a disclosure document. Most business opportunities are required to provide one, under the FTC Franchise Rule. The disclosure document should provide detailed information to help you compare one business with another. Be skeptical of companies that do not have disclosure documents.
- Check out the company with the Bureau of Consumer Protection (call: 800-422-7128), the Division of Securities at the Department of Financial Institutions (call: 800-472-4325, web: [www.wdfr.org](http://www.wdfr.org)) and the Better Business Bureau (call: 800-273-1002, web: [www.wisconsin.bbb.org](http://www.wisconsin.bbb.org)) in your area and the area where the promoter is located. These checks may not be foolproof, but they may show whether complaints have been filed about the promoter.

## Where to Complain

If you think you’ve been defrauded in an Internet-related business opportunity, contact the company and ask for your money back. Let

the company know you plan to notify law enforcement and other officials about your experience. Keep a record of your conversations and correspondence. If you send documents to the company, make sure you send copies, *not* originals. Send correspondence by certified mail and request a return receipt to document that the company received it.

If you can’t resolve the dispute with the company, several organizations may be able to help you. Check your phone book for the complete names, addresses, and phone numbers for these organizations.

**Your local Better Business Bureau (BBB)** and BBB where the company is located.

**Your local Postmaster.** The U.S. Postal Service investigates fraudulent mail practices.

For more information or to file a complaint, contact the **Bureau of Consumer Protection** at:

**(800) 422-7128**

**FAX: (608) 224-4939**

**TTY: (608) 224-5058**

**Email:**  
[datcphonenumber@datcp.state.wi.us](mailto:datcphonenumber@datcp.state.wi.us)

**Website:**  
<http://datcp.state.wi.us/>

Some information taken from the FTC’s fact sheet, “Net-Based Business Opportunities: Are Some Flop-portunities?”